

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

OPIC-03 /103 W

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R 072105Z JUL 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 7545

C O N F I D E N T I A L SANTO DOMINGO 3292

E.O. 11652: GDS

TAGS: ENRG, DR

SUBJECT: CDE REIMBURSES FALCONBRIDGE FOR ELECTRICITY

REF: SANTO DOMINGO 3079

1. IAN KEITH OF FALCONBRIDGE AND JULIO SAURI OF THE STATE-OWNED ELECTRIC COMPANY (CDE) HAVE REACHED AN AGREEMENT ON REIMBURSING FALCONBRIDGE FOR THE ELECTRICITY WHICH CDE WILL RECEIVE FROM THE US-CONTROLLED COMPANY THROUGH NEXT AUGUST 21.

2. PRESIDENT BALAGUER HAD EARLIER BEEN REPORTED IN THE PRESS AS SAYING THIS COST WOULD BE \$1.6 MILLION, AND ACCORDING TO IAN KEITH, SAURI APPARENTLY EXPECTED TO BE PRESENTED WITH A BILL OF ABOUT \$1.5 MILLION WHICH WOULD BE EQUIVALENT TO THE LOWEST RATE WHICH CDE CHARGES ITS LARGEST INDUSTRIAL USERS. SAURI WAS APPARENTLY PLEASANTLY SURPRISED TO RECEIVE FALCONBRIDGE'S ESTIMATED BILL OF \$750,000, OF WHICH SOME \$600,000 WILL BE FUEL COSTS. (AS REPORTED REFTEL CDE IS PAYING FOR ALL THE COSTS OF MAKING THE ELECTRICAL CONNECTION.)

3. THE FINAL CONNECTION BETWEEN FALCONBRIDGE'S GENERATORS AND
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THE NATIONAL ELECTRICAL GRID IS ANTICIPATED FOR NEXT WEEKEND,

WHEN HOPEFULLY CDE WILL START RECEIVING 30 MW OF ADDITIONAL ELECTRICITY. FALCONBRIDGE IS CONCERNED ABOUT BEING ABLE TO BREAK THE CONNECTION AUGUST 21 AND CONCERNED ABOUT COLLECTING FROM CDE. IN A MEMORANDUM OF JUNE 15 TO PRESIDENT BALAGUER, FALCONBRIDGE SUGGESTED CDE ENTER DIRECTLY INTO A FUEL PURCHASING AGREEMENT WITH SHELL. THE LATEST WORD FROM FALCONBRIDGE, HOWEVER, IS THAT THIS WEEK IT RECEIVED AN INITIAL CHECK OF \$47,000 FROM CDE FOR FUEL COSTS. FALCONBRIDGE IS PREPARED TO ACCEPT PAYMENT IN PESOS RATHER THAN HARD CURRENCY.

4. KEITH CLAIMS THAT FALCONBRIDGE WOULD NOT BE ABLE TO DELIVER ELECTRICITY MUCH BEYOND THE AUGUST 21 DATE IF FOR NO OTHER REASON BECAUSE OF THE SPECIAL FUEL MIX OF THE OPERATION. A MIX OF 55 PERCENT PETROLEUM USED FOR THE GENERATORS AND 45 PERCENT NAPHTHA FOR THE SMELTING IS BLENDED IN CURACAO AND PUMPED IN A PIPELINE FROM HAINA TO THE FALCONBRIDGE SITE. USING A DISPROPORTIONATE AMOUNT OF PETROLEUM FOR GENERATING ELECTRICITY WILL EVENTUALLY LEAD TO FUEL STORAGE PROBLEMS AT THE FALCONBRIDGE SITE.

5. KEITH TOWS THE ECONOMIC COUNSSSFR THAT HE HAS ONLY TO INFORM RATHER THAN OBTAIN THE APPROVAL OF OPIC AND THE IBRD CONCERNING THE TEMPORARY DELIVERY OF ELECTRICITY TO CDE, AND HE SAYS THESE INSTITUTIONS HAVE BEEN SO INFORMED. ON THE OTHER HAND HIS PRIVATE INSURERS ARE ARRIVING THIS WEEK TO INSPECT THE ELECTRICAL CONNECTIONS BEFORE THEY GIVE THEIR OWN ENDORSEMENT.

6. THERE WILL BE NO EQUIPMENT BETWEEN THE TWO SYSTEMS TO PROTECT EQUIPMENT OF ONE FROM BEING DAMAGED BY THE OTHER, ONLY TECHNICIANS WITH TWO-WAY RADIOS WATCHING INSTRUMENTS FOR FLUCTUATIONS IN POWER LOADS. SINCE THE FALCONBRIDGE SYSTEM WAS NOT CONSTRUCTED WITH THE IDEA OF MODERATING FLUCTUATIONS AS MUCH AS IN A REGULAR ELECTRICAL GRID, THE GREATER LIKELIHOOD IS THAT CDE EQUIPMENT RATHER THAN FALCONBRIDGE EQUIPMENT WILL BE ADVERSELY AFFECTED BY THE CONNECTION OF THE TWO SYSTEMS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, ELECTRIC POWER, ELECTRIC GENERATORS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANTO03292
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760262-0805
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760783/aaaacvfd.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 SANTO DOMINGO 3079
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by buchant0>; APPROVED <27 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CDE REIMBURSES FALCONBRIDGE FOR ELECTRICITY
TAGS: ENRG, DR, FALCONBRIDGE MINING
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006